

SQUAW VALLEY PUBLIC SERVICE DISTRICT

FINANCE COMMITTEE MEETING

DATE: November 27, 2017

Call to order at 3:00 P.M.

Public comment – none

Attendees: Directors Eric Poulsen and Fred Ilfeld; Mike Geary, General Manager; Kathryn Obayashi-Bartsch, Secretary to the Board; Danielle Grindle, Finance & Administration Manager; Brandon Burks, Operations Superintendent; Allen Riley, Fire Chief; Jessica Grunst, Account Clerk II/HR Specialist; Kendall Galka and Bob McClintock of McClintock Accountancy.

Items reviewed by the Committee include the following:

F-1 Audit Report for Fiscal Year 2016-2017.

Mr. McClintock said our firm's opinion on the Financial Statement is unmodified, or a "clean" opinion. The audit was conducted under generally accepted auditing standards and is designed to obtain reasonable, rather than absolute, assurance about the financial statements.

The audit report is ours and the Financial Statements are representations of management. We reached our opinion after performing procedures and tests on the books and records. We do this in order to have reasonable assurance about whether the Financial Statements are free of material misstatement. We also assess the accounting principles used by management and the estimates used in the Financial Statements.

Ms. Galka reviewed the audit report as follows:

Accounting Policies/Accounting Estimates – Significant estimates, as detailed in the financial statements, include depreciation expense, and retirement related accruals.

Significant adjustments/Passed adjustments – There were three audit adjustments proposed and provided to management compared to two in prior year. The proposed adjustments related to accruing for a customer deposit, workers compensation and investment in fixed assets. There were three adjustments proposed by management.

For the current year there is a new accounting pronouncement that will likely impact the District including Generally Accepted Accounting Standards Board's (GASB) 75; Accounting and Financial Reporting for Other Postemployment Benefit (OPEB) Plans. This pronouncement requires governments to recognize their unfunded accrued other post-employment benefits obligation on the face of financial statements. It also requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about OPEB liabilities. This item becomes effective for the year ended June 30, 2018.

For the current year, the District maintains the fixed assets ledger which was previously maintained by Gibson & Company. Rather than continue with a spreadsheet, we recommend the District use fixed asset software, consistent with best practices.

The prior year audit matters including accounting memos, adjusting journal entries and financial statement preparation and tie out were performed consistent to suggested best practices.

Financial Highlights:

- Total current assets exceeded current liabilities by \$429,000. This is a decrease from FY2016 current assets exceeding total liabilities by \$903,000. This is primarily due to an increase in Net Pension Liability offset in part by an increase in cash and investments, prepaid expenses, as well as decreasing debt from paying off the land loan.
- In the third year of GASB 68 implementation, Net Pension liability was recorded at \$4,899,000 including \$2,579,000 for Fire and \$2,320,000 for Utility. This is an increase of \$1,103,000 from the prior year. Director Ilfeld expressed a high degree of concern with the large amount of unfunded pension liability and in particular its 29% increase over the prior year. Director Poulsen said while this figure is alarming, it reflects the District's liability over the long term. This number will change year to year based on actuarial assumptions and how well CalPERS does with their investments. The intention is to slowly pay this down and have the pension be fully funded. Mr. McClintock said having an open discussion about the issue, good budget planning and cash flow position are good steps to take.
- Total net position increased by \$389,000 this year. There was an increase to cash on hand, prepaid expenses, and deferred outflows relating to pensions. This was offset by an increase in net pension liability as well as a decrease in deferred inflows relating to pensions.
- Of the total net position, \$1,177,000 is restricted and must be used only for specific purposes, \$4,340,000 is unrestricted and available for replacement of fixed assets, and \$(2,320,000) is unrestricted but dedicated to future obligations.
- Water rates from FY2016 increased by 10% and Sewer rates from FY2016 increased by 6%. Property tax revenues increased this year by \$44,000 from FY2016, or about 1.3%.

Major projects this year included:

- Began testing and design for the Truckee River Siphon replacement which is one of the largest sewer projects in the District's history.
- A Cost of Service and Rate Study was completed which revised the pricing structure, rates and connection fees to be implemented starting in FY2018.
- Repairs to the S-Turn Water Main.
- Staff worked with Squaw Valley Real Estate for an ongoing Development Agreement for the proposed Village at Squaw project.
- The District continues to receive funding to provide snow removal services on the Squaw Valley Bike Path. Reserves in the account amount to approximately \$74,000.
- Continued implementation of VUEWorks software, which provides improvements to the District's GIS to prepare capital projects and efficiencies (asset maintenance, labor, etc.)

- The District completed a SCADA Master Plan (phase III). The SCADA system is used to monitor wells, tanks, and other water/sewer system appurtenances throughout the District.
- Staff continues to work on the Water and Sewer Master Plan Update.
- This was the third year of providing Operations & Maintenance to the Mutual Water Company. Revenue generated from services amounted to \$100,000.
- A new Type 1 Engine completed construction and was put in service in May of 2017.
- The Fire Department purchased new tablets for implementing new incident reporting software.

D-1 Operating Account Check Register: Ms. Grunst reviewed the Operating Check Register numbers 45356-45462 and ACH payments. Staff reviewed payments of more than \$800 and provided an explanation of the following payments and a summary of electronic payments (ACH). There was also discussion of some payments less than \$800 that were of interest to the Committee members.

Check Payments:

- 45359 Kelly Craig – final payroll check
- 45361 Advanced Infrastructure Tech – water & sewer transmitter locators
- 45365 Bank Card Center – fire statistics training classes, Fire Chief Seminar & household supplies
- 45366 Benz Air Engineering – vehicle exhaust repair
- 45368 Carrier Corp. – replacement parts for heating system in 305 Squaw Valley Rd. facility
- 45376 Emergency Reporting – annual expense for Fire Dept. reporting software
- 45377 Kurt Gooding – reimbursement for Fire Dept. Engine headset
- 45383 Thomas Archer – legal services including reimbursable expense for Palisades @ Squaw Project
- 45387 Longo – PlumpJack Well tree stump removal
- 45388 Mass Mutual – deferred compensation withholding
- 45389 McClintock Accountancy – audit services
- 45390 Bob Mee – refund check for overpayment
- 45404 Sierra Chemical – caustic soda
- 45406 Standard Insurance – dental insurance
- 45421 Bank Card Center – accommodations for two staff to attend the CSDA conference, T-TSA Manager's meeting lunch
- 45426 Cranmer Engineering – water testing
- 45428 D&D Roofing – facility roof maintenance
- 45430 Dell Marketing – laptop purchase for Chief Riley
- 45431 Dept. of Forestry & Fire Protection – 1st quarter payment for Fire Dept. dispatch service
- 45432 Ferguson Enterprises – fire hydrant replacement
- 45436 HME – Type III Fire Engine final payment
- 45438 Hunt & Sons – unleaded & diesel fuel
- 45440 Liberty Utilities – electricity for all facilities, wells & pumps
- 45442 Mass Mutual Retirement – deferred compensation withholding
- 45447 Pollardwater.com – fire hydrant capital project parts
- 45456 Tahoe WoRx – Fire Dept. wellness testing
- 45458 Tahoe Truckee Propane – heating fuel

Ms. Grindle reviewed exhibits D-2 through D-6.

D-2 Operations Enterprise Fund, Revenue vs. Expenditure/Balance Sheet

The statement shows 33.3% of the year has elapsed. Revenue is at 91.6% of the budget and expenditures are at 29.7% of the budget. Compared to the prior year at this time, the net surplus is \$285,000 greater.

D-3 Fire Government Fund, Revenue vs. Expenditure/Balance Sheet

The statement shows 33.3% of the year has elapsed. Revenue is at 42.1% of the budget and expenditures are at 38.6% of the budget. Compared to the prior year at this time, the net surplus is \$2,600 lower.

D-4 Capital Reserve Fund Balance Sheet/Income Statement

The income statement shows 33.3% of the year has elapsed and expenditures are running at 32.7%. Revenue year to date relates primarily to connection fees and revenue earned with Placer County. The District received the Estimated Allocation of Property Taxes for Fiscal Year 2018, also known as the "September Surprise". The total anticipated tax revenue, less any fees from the county is estimated to be \$3,496,815. This is an increase over the budget by \$48,231, or 1.4%. Fund balances for FY2017 were finalized. Fund balances grew by \$437,000 from the prior year. Utilities grew by \$764,000 and the Fire Department decreased by \$327,000.

D-5 Combined Revenues/Expenditures/Balance Sheet

This report is for internal use only as a tool but is not intended to be an audited financial report. The report captures the District's position as a whole including enterprise funds (Operations/Administration Dept.) and governmental operations (Fire Dept.) The statement shows 33.3% of the year has elapsed and expenditures are running at 34%. Revenue is at 52.7% to the budget.

D-6 Fund Balance Statement

The statement shows the highest yielding funds are ProEquities Certificate of Deposit at 2.4%. Placer County Funds (#541-003 and #541-435) are at 1.59% which is lower than last month at 1.63%.

Payments: Mr. Geary reviewed the following payments with the Committee:

- D-7 Progress Payment – Farr West Engineering – Truckee River Siphon
- D-8 Progress Payment – Farr West Engineering – Palisades Construction Inspection
- D-9 Progress Payment – Interflow Hydrology, Inc. – PlumpJack Well
- D-10 Progress Payment – McClintock Accountancy – Financial Audit
- D-11 Progress Payment – Stantec – Truckee River Siphon
- D-12 Progress Payment – NorCal – PlumpJack Well
- D-13 Progress Payment – Stantec – Environmental Support
- D-14 Progress Payment – Stantec – On Call Truckee River Siphon

No further business coming before the Finance Committee, the meeting was adjourned at 5:25 P.M.
By, KOB/DG